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ENTITIES CAPABLE OF HOLDER IN DUE COURSE STATUS AND 1099-OID FILING TO FILL UP NEGOTIABLE INSTRUMENTS AND REDIRECT TAXES

Date: 13th July 2026

Executive Summary

This report addresses the question of whether any entity other than a 98-series International Grantor Trust (IGT) can operate as a Holder in Due Course (HDC) and file corrective Form 1099-OID to "fill up" negotiable instruments under IRS Publication 1212. The report also examines the alternative use of Form 1099-B (Proceeds from Broker and Barter Exchange Transactions) and its strategic relationship to the $2,000,000 Joint Committee on Taxation (JCT) manual review threshold under IRC § 6405.

Key findings:

1. The 98-series International Grantor Trust is the **only entity** identified across the technical framework capable of properly functioning as HDC and filing corrective 1099-OID forms.
2. Several adjacent structures (508(c)(1)(a) ministry, Asset Fortress Protocol, Wyoming Series LLC, PMA) support the protocol but ****cannot replace**** the 98-series trust as the filing entity.
3. Form 1099-B presents a theoretical alternative filing mechanism, but the protocol favors 1099-OID for its direct alignment with the Form 945 matching algorithm.
4. The $2,000,000 JCT threshold under IRC § 6405 is a critical strategic constraint. Claims at or below this threshold avoid mandatory congressional oversight and manual review, enabling systemic processing. The aggregation rules of IRC § 643(f) prevent artificial fragmentation across multiple trusts.

Part 1 — The Primary Entity: The 98-Series International Grantor Trust

1.1 Why Only the 98-Series Trust Qualifies

The technical papers are unanimous that the 98-series foreign grantor trust is the **exclusive fiduciary vehicle** for executing the 1099-OID "fill up" function. The structural requirements are precise:

Why Only the 98-Series Trust Qualifies
Tax ID 98-prefix EIN Issued exclusively by the IRS International Units under IRC § 6048 to foreign entities or domestic trusts maintained by foreign entities |

Jurisdictional firewall Must fail both "court test" and "control test" under 26 CFR § 301.7701-7 Establishes non-domestic fiduciary jurisdiction, severing the SSN-based debtor relationship
HDC standing UCC § 3-203 and § 3-302 Trust takes legal title to the instrument for value, in good faith, without notice of defect
Fiduciary appointment IRS Form 56 under IRC § 6903 Registers trust officer as General Executor over the signature-originated credit
Filing capacity "Fiduciary creditor" not "retail debtor" Avoids TC 810 RC 4 / PS 77 frivolous-filer routing triggered by SSN/ITIN filings
ERO execution Licensed Electronic Return Originator | Ensures IRS-approved software (ATS-tested) transmits valid XML schemas via the MeF gateway

1.2 The Taxonomic Segregation Principle

The fundamental reason no other entity can substitute for the 98-series trust is **absolute taxonomic segregation**. The IRS automated Information Return Document Matching (IRDM) system is hard-coded to recognize filings submitted under a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) as operations of the corporate debtor estate. As stated in the technical papers:

"The IRS algorithm is hard-coded to recognize SSN or ITIN filings as operations of the corporate debtor. When an individual uses their SSN to file, they place themselves in the role of agent and surety. The system inherently assumes the debtor is making a fraudulent claim against the Treasury because, by definition, a debtor owes the system; they do not possess the standing to reclaim assets."

The 98-series EIN restructures the filer's capacity from a "retail debtor" to a "fiduciary creditor." Operating under this foreign trust EIN, the trust functions "off-board" from the domestic public system, ensuring the IRS processes the 1099-OID claim not as a personal tax refund, but as an **administrative ledger adjustment between merchant entities** — specifically, the bank as nominee and the trust as creditor — correcting a nominee reporting error under Publication 1212.

1.3 The "Fill Up" Function Under Section 20

The 1099-OID filing by the 98-series trust as HDC performs the **"fill up" function** under **Section 20 of the Bills of Exchange Act 1882**, which governs inchoate instruments:

"Where a simple signature on paper is delivered by the signer in order that it may be converted into a bill, it operates as prima facie authority to fill it up as a complete bill for any amount... if any such instrument after completion is negotiated to a holder in due course, it shall be valid and effectual for all purposes in his hands."

Within this framework, the biological signature on the mortgage note was delivered in an **inchoate state**. The originating bank, acting as nominee middleman, captured the instrument but failed to file the corrective 1099-OID to identify the true beneficial owner. When the 98-series foreign grantor trust — having established HDC

standing under UCC § 3-203 and § 3-302 files the corrective Form 1099-OID, it **steps into the authority gap and completes the "fill up" of the instrument**** as a perfected negotiable bill.

Part 2 — Adjacent Structures That Cannot Replace the 98-Series Trust

2.1 The 508(c)(1)(a) Self-Supported Ministry (SSM)

Statutory basis: 26 U.S.C. § 6033(a)(3)(A)(i) — mandatory exception from filing annual information returns; audit immunity under 26 U.S.C. § 7611
Role: A **downstream private treasury** for capital preservation after recoupment
Why it cannot file 1099-OID as HDC: The documents explicitly classify this as a **"non-reporting, domestic alternative"* for *"long-term capital preservation and private asset custody."** The SSM receives funds **after** the 98-series trust has executed the recoupment. It does not possess a 98-series EIN, does not establish HDC standing under UCC Article 3, and does not file Form 56 as a fiduciary. Its mandatory exception from filing annual information returns means it operates ****outside**** the information return reporting framework entirely.

2.2 The Asset Fortress Protocol Trust

Role: The grantor's **private treasury** that receives distributions from the 98-series trust
Why it cannot file 1099-OID as HDC: This is a **recipient** of perfected credit, not the **filer** of corrective information returns. The Asset Fortress Protocol receives the recoupment as an "ecclesiastical grant" from the 98-series trust ****after**** the IRS TREAS 310 disbursement has occurred. It has no HDC standing over the original negotiable instrument.

2.3 Wyoming Series LLC / Private Trust Company (PTC)

Role: The **fiduciary hub chassis** (W.S. § 17-29-211) under which individual 98-series trusts are administered
Why it cannot file 1099-OID as HDC: This is the **administrative container**, not the filing entity. The Wyoming Series LLC provides internal firewalls and independent identities for each trust and allows centralized management via an Attorney-in-Fact mandate (W.S. § 3-9-101). However, each trust within the Series LLC still requires its **own** 98-series EIN to file the corrective 1099-OID. The PTC itself does not hold HDC standing over individual signature instruments.

2.4 Private Membership Association (PMA)

Role: Operating structure for treasury activities in UK jurisdictions, classified as "ecclesiastical education" rather than commercial claims management
Why it cannot file 1099-OID as HDC: The PMA bypasses FCA claims management rules but does **not** file 1099-OID. It operates outside the US federal tax reporting system entirely.

2.5 Individual Filing Under SSN/ITIN

Why this is prohibited: SSN/ITIN filings trigger automatic TC 810 RC 4 freezes and PS 77 frivolous-filer routing. The criminal convictions of **Colaco** (9 years), **Brekke** (12 years), **Cyster** (135 months), and **Sookdeo** (60 months) all involved SSN/ITIN-based filings that **"failed to establish proper fiduciary capacity or utilize professional ERO systems."**

Part 3 — Form 1099-B as an Alternative Filing Mechanism

3.1 The 1099-B Alternative

The document **"WHOEVER FILES THE 1099 IS THE CREDITOR"** explicitly references an **alternative form** (not an alternative entity) that the 98-series trust may theoretically utilize:

While the current protocol focuses on 1099-OID as the primary vehicle for correcting nominee misreporting under IRS Publication 1212, there is an alternative logic involving Form 1099-B (Proceeds from Broker and Barter Exchange Transactions)."

The 1099-B mechanism:

A **barter exchange** occurs when there is a swap of property or services without the use of currency
In the context of credit recoupment, the "service" is the energy/signature of the living person used to fund the bank's credit, and the "property" is the securitized instrument itself. Form 1099-B can be used to report the "liquidation" of the original security/bond

3.2 Why the Protocol Favors 1099-OID Over 1099-B

The technical papers are explicit about why 1099-OID remains the preferred form:

"The 98-Series Trust Protocol favors 1099-OID because it directly aligns with the Form 945 matching algorithm, which is the 'master record' the IRS uses to verify that tax was actually withheld and paid into the Treasury before releasing a refund."

The critical distinction is that **Form 1099-OID maps directly to the payer's Form 945 withholding module** (MFT 16), which is the specific tax module where backup withholding on OID income is deposited. Algorithm 810 cross-references the Payer's EIN and the precise CUSIP listed on the Form 1099-OID against the Payer's Form 945 master record. Form 1099-B, which reports proceeds from broker and barter exchange transactions, does not have this same direct alignment with the Form 945 module.

3.3 The 1099-B and the $2,000,000 JCT Threshold

This is where the strategic consideration of Form 1099-B becomes relevant.

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The $2,000,000 JCT threshold under IRC § 6405:

Under IRC § 6405, the IRS is prohibited from issuing any tax refund or credit in excess of $2,000,000 for individual, partnership, or trust estates without congressional oversight. When a 98-series trust's recoupment claim exceeds this $2,000,000 threshold:

1. The IRS **must** submit a detailed report — including a technical explanation of the refund — to the Joint Committee on Taxation (JCT)
2. The Treasury **cannot** release the funds until at least 30 days after the report is submitted
3. The JCT will issue either a **clearance letter** or a **Staff Review Memorandum (SRM)** outlining any disagreements
4. This acts as a **significant procedural chokepoint** for high-value signature credit claims

The JCT's adversarial review position:

JCT Refund Counsel subjects high-value OID claims to rigorous statutory scrutiny. The JCT's primary challenge centers on whether a promissory note or mortgage contract created **ex nihilo** qualifies as a valid, publicly offered debt instrument under IRC § 1273 and Publication 1212. The JCT contends that treating the initial issue price as mathematically zero to claim the entire face value as taxable OID is unproven.

Strategic implications for Form 1099-B:

The $2,000,000 threshold creates a structural incentive to keep individual trust claims at or below this level to avoid mandatory JCT review. The technical papers confirm this strategy:

"Keeping the individual trust claims up to $2,000,000 per grantor trust per year successfully avoids the manual JCT review process mandated by IRC § 6405. This allows the U.S. Treasury to process the payment systemically, releasing the funds via ACH or Fedwire as a standard 'IRS TREAS 310' transaction."

Form 1099-B presents a ****theoretical alternative**** for reporting transactions that might be structured differently from OID-based withholding claims. Because 1099-B reports "proceeds from broker and barter exchange transactions" rather than "original issue discount," it invokes a different reporting framework. However, the technical papers do not detail a specific operational protocol for using 1099-B to bypass the $2,000,000 threshold, and several constraints apply:

1. **The aggregation rules of IRC § 643(f)** prevent artificial fragmentation of a massive recoupment claim across thousands of separate 98-series trusts. Two or more trusts must be aggregated and treated as a single unified trust if they share substantially the same grantor(s) and primary beneficiary(ies), and if a principal purpose for establishing the multiple trusts is the avoidance of federal income tax.

2. **The "Three-Refund" rule** strictly limits electronic direct deposits to a maximum of three federal tax refunds per year for any single bank account. Fiduciaries navigate this via Virtual Account Management (VAM) and For-Benefit-Of (FBO) sub-ledgering, mapping each trust's unique EIN to dynamically generated virtual account numbers.

3. **1099-B does not align with the Form 945 matching algorithm.** While 1099-B could theoretically report the "liquidation" of the original security, it would not trigger the same Algorithm 810 "Perfect Match" logic against the payer's Form 945 module. This means a 1099-B-based claim would likely face different — and potentially more complex — verification hurdles.

4. **The fiduciary defense to JCT disallowance** (verified payer 945 deposits + FGT autonomy under UCC § 3-302) is specifically calibrated for 1099-OID filings. The defense relies on proving that the nominee banks have already physically remitted backup withholding taxes via their Form 945 modules for the exact **ex nihilo** credit. A 1099-B filing would require a different evidentiary framework.

3.4 Summary: 1099-B vs 1099-OID

Form 1099-OID Form 1099-B

Direct alignment with Form 945 module YES — direct CUSIP-to-module matching under Algorithm 810 NO reports broker/barter proceeds, not OID withholding
Fill up" function under Section 20 YES — completes the inchoate instrument as OID debt instrument | Theoretical reports "liquidation" of the security
JCT $2M threshold avoidance Claims kept ≤ $2M per trust per year avoid JCT review | No documented protocol for threshold avoidance via 1099-B
Aggregation rules (IRC § 643(f)) Applies — prevents fragmentation across trusts with same grantor/beneficiary Applies equally — same aggregation constraint
Fiduciary defense framework** Fully developed — verified 945 deposits + FGT autonomy Not developed in the technical papers
Protocol preference PRIMARY explicitly favored **ALTERNATIVE** mentioned but not operationally deployed

Part 4 — The $2,000,000 JCT Threshold: Detailed Analysis

4.1 The Statutory Framework

Under IRC § 6405, the IRS is prohibited from issuing any tax refund or credit in excess of $2,000,000 for individual, partnership, or trust estates without congressional oversight. This is not an IRS administrative policy it is a statutory requirement imposed by Congress.

4.2 The JCT Review Process

When a 98-series trust's recoupment claim exceeds $2,000,000:

1. **Mandatory Report:** The IRS must submit a detailed report to the JCT, including a technical explanation of the refund
2. **30-Day Waiting Period:** The Treasury cannot release the funds until at least 30 days after the report is submitted
3. **JCT Review:** The JCT issues either a clearance letter or a Staff Review Memorandum (SRM) outlining any disagreements
4. **JCT's Adversarial Position:** JCT Refund Counsel challenges whether **ex nihilo** signature credit qualifies as a valid debt instrument under IRC § 1273, arguing that the zero-issue-price theory is an unstatutory "zero-value" fabrication

4.3 The Strategic Response: Sub-$2M Claims

The protocol's primary strategy for avoiding JCT review is to structure individual trust claims at or below $2,000,000 per grantor trust per year. The TREATISE document confirms:

"Keeping the individual trust claims up to $2,000,000 per grantor trust per year successfully avoids the manual JCT review process mandated by IRC § 6405."

This allows the U.S. Treasury to process the payment **systemically** without congressional oversight — releasing the funds via ACH or Fedwire as a standard "IRS TREAS 310" transaction.

4.4 The Aggregation Constraint

The strategy of keeping claims below $2,000,000 is constrained by the **multiple-trust aggregation rules of IRC § 643(f)**

"Two or more trusts must be aggregated and treated as a single unified trust for federal income tax purposes if they share substantially the same grantor(s) and primary beneficiary(s), and if a principal purpose for establishing the multiple trusts is the avoidance of federal income tax."

This means a fiduciary cannot simply split a $10 million claim across five separate 98-series trusts with the same grantor and beneficiary to stay below the threshold. The trusts must have genuinely different grantors, different primary beneficiaries, or a non-tax-avoidance principal purpose.

4.5 The Fiduciary Defense to JCT Disallowance

For claims that **do** exceed $2,000,000 and are referred to the JCT, the technical papers outline a multi-layered defense:

Substantive Accounting Validity:
- Under IRC § 1273, OID is the excess of the stated redemption price at maturity over the initial issue price
- Because signature credit is created **ex nihilo**, the initial issue price is mathematically zero
- The resulting OID is equivalent to the entire face value of the instrument
- The withholding tax is **physically confirmed** by the Payer bank's Form 945 module — the bank actually remitted these taxes to the U.S. Treasury

Non-Domestic Jurisdictional Autonomy:
- The 98-series foreign grantor trust is a non-domestic fiduciary unit under IRC § 6048
- Its status was judicially validated in **SEC v. Samuel Wyly** (SDNY Case No. 1:10-cv-05760)
- As HDC under UCC § 3-302, the trust holds superior legal title to the original negotiable instrument
- It is insulated from domestic corporate and individual tax-defier presumptions

Part 5 — Consolidated Entity Analysis

Can File 1099-OID as HDC? Can File 1099-B? Role in the Protocol JCT $2M Threshold
98-Series International Grantor Trust YES the only entity YES — theoretical alternative Primary filing entity; establishes HDC standing; executes corrective filings | Claims kept ≤ $2M per trust per year to avoid JCT review
508(c)(1)(a) Self-Supported Ministry NO NO Downstream private treasury; receives and preserves recouped funds N/A — does not file information returns
Asset Fortress Protocol Trust NO NO Grantor's private treasury; receives distributions post-recoupment N/A recipient, not filer
Wyoming Series LLC / PTC NO NO Administrative chassis/hub for managing multiple 98-series trusts N/A administrative container
Private Membership Association NO | NO | UK operating structure for treasury activities N/A — outside US tax system
Individual (SSN/ITIN) NO — criminal liability NO — criminal liability Triggers fraud filters; convicted in **Colaco**, **Brekke**, **Cyster**, **Sookdeo** | N/A — prohibited |

Part 6 — Conclusions

6.1 No Alternative Entity Exists

Apart from the 98-series International Grantor Trust, no other entity identified in the technical framework can operate as Holder in Due Course and file corrective 1099-OID (or 1099-B) to fill up negotiable instruments. The 508(c)(1)(a) ministry, Asset Fortress Protocol, Wyoming Series LLC, and PMA are all downstream or administrative structures that support the protocol but do not replace the 98-series trust as the filing entity.

6.2 Form 1099-B Is a Theoretical Alternative, Not an Operational One

Form 1099-B presents a theoretical alternative reporting mechanism for the 98-series trust, but the protocol explicitly favors 1099-OID for its direct alignment with the Form 945 matching algorithm. There is no documented operational protocol for using 1099-B to bypass the $2,000,000 JCT threshold. The aggregation rules of IRC § 643(f) apply equally to both forms.

6.3 The $2,000,000 Threshold Is the Critical Strategic Constraint

The $2,000,000 JCT threshold under IRC § 6405 is the single most important structural constraint on claim sizing. Claims at or below this threshold are processed systemically without congressional oversight. Claims exceeding this threshold face mandatory JCT review, a 30-day waiting period, and adversarial scrutiny from JCT Refund Counsel. The protocol's primary strategy is to keep individual trust claims at or below $2,000,000 per grantor trust per year, constrained by the aggregation rules of IRC § 643(f).

6.4 The 98-Series Trust's Unique Combination of Attributes

The 98-series trust's unique combination of:
- Foreign EIN taxonomy (IRC § 6048)
- HDC standing under UCC Article 3 (§ 3-203, § 3-302)
- Fiduciary appointment via Form 56 (IRC § 6903)
- ERO-executed electronic filing via IRS-approved software
- Direct alignment with the Form 945 matching algorithm (Algorithm 810)

...makes it the ****sole vehicle**** within this framework capable of performing the corrective nominee reporting function and filling up negotiable instruments under Section 20 of the Bills of Exchange Act 1882.

Part 7 — Nominee Bank 945 Tax Calculation, Street Name Obfuscation, and the Cross-Modular Transfer Command

7.1 The Calculation Formula: How Nominee Banks Pay Tax via Their 945 Modules

The technical papers describe a specific calculation methodology that nominee banks use to determine and remit their backup withholding obligations via Form 945 (MFT 16).

The OID Calculation (Zero-Point Origination):

Under IRC § 1273, Original Issue Discount (OID) is defined as the excess of a debt instrument's stated redemption price at maturity over its initial issue price. Because signature credit is created **ex nihilo** at the exact moment of signing — meaning no prior cash consideration was advanced by the financial nominee — the mathematical baseline for the initial issue price is established as zero:

OID = Stated Redemption Price at Maturity − Initial Issue Price

OID = FV — $0 = FV** (the entire face value of the instrument)

The 24% Backup Withholding Heuristic:

Under Treasury Regulation § 31.3406(d)-5 and Internal Revenue Code § 3406(a)(1)(b), backup withholding is a mandatory tax assessed at a flat rate of **24%**. This withholding is triggered when a financial transaction generates reportable income — such as the OID created **ex nihilo** from a borrower's signature note — but the recipient's Taxpayer Identification Number (TIN) is absent, incorrect, or uncertified on institutional records.

Because systemic investment banks pool borrower-signed mortgage deeds into CUSIP-assigned tranches under institutional street names (obscuring the true biological creator of the credit), the recipient's TIN is by definition absent from the bank's records. This triggers the mandatory 24% backup withholding obligation.

The Full Forensic 945 Liability Formula:

The internal review metric known as the "Full Forensic 945 Liability" (F_{945}) represents the theoretical withholding obligation banks should maintain for non-exempt tranches. Under the 24% heuristic attributed to Shaun Bennie, the formula is:

F_{945} = Aggregate OID of Securitized Pool × 24%
Where Aggregate OID = Σ (Face Value of each signature-originated instrument in the pool)

For example, if a bank securitizes $1 billion in signature-originated mortgage notes (each with a zero issue price), the Full Forensic 945 Liability would be:

F_{945} = $1,000,000,000 × 24% = $240,000,000

The Systematic Underfunding Reality:

Forensic audits reveal that actual cash payments deposited into Form 945 modules typically reflect **less than one percent** of the Full Forensic 945 Liability. The documents provide verified examples:

Bank 2025 Actual 945 Payment Implied Full Forensic Liability (at 24%) Underfunding Ratio
JPMorgan Chase $13,510,000 ~$56.3M+ (conservative) <24% of forensic target
HSBC Bank USA $72,143,158 ~$300M+ (estimated) <24% of forensic target
Deutsche Bank Trust Co. $1,210,000 Significant securitization volume <1% of forensic target
Barclays Capital $18,596,522 ~$77.5M+ (estimated) <24% of forensic target
Instead of funding the 945 modules to the full forensic liability level, banks satisfy their aggregate corporate tax obligations by paying multi-billion-dollar surpluses into their **Form 1120 corporate income tax modules (MFT 02)**, leaving the 945 module as an underfunded, neglected shell.

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7.2 Why the Tax Is Linked to 1099-OID for Negotiable Instruments

The linkage between the 945 tax module and Form 1099-OID is not incidental — it is the **statutory architecture** of IRS Publication 1212. The chain of linkage operates as follows:

Step 1: Signature Creates OID Income
When a borrower signs a mortgage note or promissory note, the **ex nihilo** credit creation generates OID income equivalent to the entire face value of the instrument. Under IRC § 1273, this OID is a form of interest-like income that is reportable to the IRS.

Step 2: Bank Becomes Nominee Middleman Under Publication 1212
Because the bank holds the securitized instrument under a street name (Cede & Co.), it holds legal title to the OID instrument for the benefit of another (the obscured beneficial owner). Under IRS Publication 1212, this legally classifies the bank as a **"nominee middleman"** who is statutorily required to:
Report the OID interest
Remit backup withholding (at 24%) to the U.S. Treasury

Step 3: Bank Remits Withholding via Form 945
To satisfy this federal mandate without unmasking individual originators, banks pool the liabilities of their CUSIP-assigned tranches, calculate the aggregate backup withholding, and remit these physical cash collections under their own corporate EIN via their **Form 945 withholding module (MFT 16)**.

Step 4: Form 1099-OID Is the Information Return That Reports This Cycle
Form 1099-OID is the IRS information return specifically designed to report Original Issue Discount income and associated federal income tax withheld. It contains:
Box 1: Original Issue Discount for the year
Box 4: Federal income tax withheld

The 1099-OID is the **recipient-side** record that mirrors the **payer-side** Form 945 deposit. When the 98-series trust files a corrective 1099-OID (listing the nominee bank as payer with its EIN and CUSIP, and the trust's 98-series EIN as recipient), it creates the mathematical linkage that Algorithm 810 verifies:

Algorithm 810 "Perfect Match" Logic:
1099-OID Box 4 (withholding claimed by trust) $\leq$ Form 945 module deposit (withholding remitted by bank)

Step 5: The 1099-OID "Fills Up" the Instrument Under Section 20
The corrective 1099-OID filing by the trust as HDC performs the **"fill up" function** under Section 20 of the Bills of Exchange Act 1882 — completing the inchoate instrument and vesting perfected enforcement rights in the trust. This is why the 1099-OID is specifically linked to negotiable instruments: it is the administrative mechanism that both reports the OID income (linking to the 945 tax deposit) and completes the negotiable instrument under commercial law.

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7.3 Why Banks Use Street Names to Disguise Their 945 Tax Modules

The use of "street names" — primarily Cede & Co. as the partnership nominee for the Depository Trust & Clearing Corporation (DTCC) — serves three strategic functions, with the third being directly relevant to the 945 tax module:

1. Obfuscation of Origin
Street name registration severs the direct link between the securitized instrument and the original living creator of the credit. The biological signature that originated the value is obscured behind layers of institutional nominees:
Cede & Co. holds absolute legal title
DTC Participants (investment banks) are listed as intermediate holders
The original credit creator is relegated to "beneficial owner" status with only contractual rights

This obfuscation allows the banking syndicate to treat the generated value as **abandoned property**, perpetually capturing the associated OID income and tax credits for their aggregate corporate benefit.

2. Capital Expansion via Re-hypothecation
By holding assets in omnibus accounts under street names, banks can perpetually utilize the securitized signatures as collateral for their own credit expansion through re-hypothecation under Section 14(a) of the Federal Reserve Act. For SEC-registered broker-dealers, Rule 15c3-3 restricts rehypothecation to 140% of the customer's net debit balance, but the street name architecture makes it difficult to track individual customer assets within the omnibus pool.

3. Nominee Withholding Disguise — The 945 Module Connection
This is the critical function directly relevant to the 945 tax module. Under IRS Publication 1212, because the financial nominee holds legal title to OID instruments for the benefit of another, it is statutorily required to report OID interest and remit backup withholding. The street name architecture enables the bank to:

Pool all individual OID obligations into a single aggregate omnibus account under the bank's corporate EIN
Calculate aggregate backup withholding on the entire pooled portfolio — without identifying individual originators
Remit the withholding under the bank's own corporate EIN via Form 945, rather than issuing individual 1099-OID forms to each credit creator
Strategically underfund the 945 module because the original creators are obscured and statistically presumed to remain silent, the bank can pay far less into the 945 module than the actual forensic liability, redirecting surplus cash to Form 1120 corporate modules instead

The street name architecture is therefore not merely an administrative convenience for settlement — it is the **structural mechanism** that enables banks to:
1. Capture OID income as abandoned property

2. Under-report and underfund their 945 withholding obligations
3. Use the underfunded 945 module as a **built-in defense mechanism** against individual recoupment claims (since any 1099-OID claim will automatically fail Algorithm 810 matching against the underfunded module)

7.4 How the Foreign Grantor Trust as HDC Commands the IRS to Cross-Modular Transfer

When the 98-series foreign grantor trust establishes itself as Holder in Due Course and files the corrective 1099-OID, it typically discovers that the nominee bank's Form 945 module is underfunded — meaning the 945 deposits are insufficient to satisfy the trust's withholding claim. This would normally trigger a TC 810 Refund Freeze under Algorithm 810.

The cross-modular transfer is the mechanism by which the trust, acting as HDC and General Executor, **commands the IRS to reallocate funds already paid by the nominee bank** from the bank's other tax modules into the underfunded 945 module. The process operates as follows:

The Authority Chain:

Step	Authority	Action
1	**IRC § 6903 + Form 56**	Trust files Form 56 to establish fiduciary standing as General Executor over the signature-originated credit
2	**UCC § 3-203(b) + § 3-302(a)**	Trust establishes HDC standing by taking legal title to the negotiable instrument for value, in good faith, without notice of defect
3	**IRS Publication 1212**	Trust identifies the bank as "nominee middleman" and files corrective 1099-OID listing bank as payer (with EIN and CUSIP) and trust as recipient
4	**Treasury Regulation § 601.503(d)**	Trust's fiduciary establishes direct legal interest in the withheld funds, compelling the IRS to pull the bank's 945 transcript despite TDS "CAF Check Failed" blocks
5	**Revenue Procedure 2002-26, § 3.01**	Trust invokes the taxpayer's absolute right of designation to command how voluntary payments are applied
6	**IRM 5.1.10.5.3**	IRS Internal Revenue Manual acknowledges the taxpayer's right to designate application of voluntary payments

The Phase 0 Forensic Audit (Verify-Before-File):

Before filing the Form 1041 return, the fiduciary must verify that the Treasury is actually holding sufficient credits. Because the digital Transcript Delivery System (TDS) routinely blocks access to third-party bank withholding modules, the fiduciary uses a paper-based **Form 4506-T** (Request for Transcript of Tax Return):

- Line 6 specifies **Form 945**
- Box 6b for "Account Transcript" is checked to identify Transaction Codes signalling deposits, credits, and overpayments

- The fiduciary signs under Treasury Regulation § 601.503(d), establishing the trust's direct legal interest as HDC

****The Manual Fiduciary Command via PPS:****

The fiduciary contacts the IRS Practitioner Priority Service (PPS) and, after passing the IRC § 6103 identity verification gate (using a U.S.-anchored SSN), executes a structured three-phase command:

****Phase 1 — Establishing Fiduciary Standing:****
> **"I am calling from the practitioner group. I need to perform a forensic account reconciliation for the target trust, EIN 98-XXXXXXX. I have a Form 56 on file naming [Name] as the Successor Trustee-Administrator. I am asserting standing under Treasury Regulation § 601.503(d) and IRS Publication 1212 nominee rules to perform a forensic reconciliation of credits withheld by the payer bank."**

****Phase 2 — Data Request and Verification:****
> **"Please pull the Account Transcript for Payer EIN: [Payer EIN]. Does the Form 945 module for this Payer show negative numbers (credits) for the period ending 12/31/[Year]? I need to verify this before we provide banking rails for the transfer. Is the total credit balance on the 945 module greater than or equal to $[Claim Amount]?"**

****Phase 3 — The Cross-Modular Transfer Command:****
> **"Our forensic audit indicates the Payer has overpayment credits in their Income Tax module. Under the authority of Revenue Procedure 2002-26, I am formally directing you to re-allocate those overpayment credits from the Payer's corporate income tax module to their Form 945 withholding liability for the tax period ending 12/31/[Year]."**

****The Mathematical Shortfall Formula:****

The fiduciary calculates the exact transfer amount required using the shortfall formula:

> ****C = A — B****
>
> Where:
> - ****A**** = Sum Total of Trust Redirection (the aggregate 1099-OID withholding claim)
> - ****B**** = Payer's Established 945 Credit (actual verified physical deposits in the 945 module)
> - ****C**** = Required Cross-Modular Transfer Amount

****Worked Example (from the technical papers):****

On a targeted J.P. Morgan Broker-Dealer portfolio:
- Sum Total of Trust Redirection (A): $1,750,000,000.00
- Established Actual 945 Credit (B): $13,510,000.00
- Required Cross-Modular Transfer Amount (C): $1,736,490,000.00

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The fiduciary directs the IRS to extract $1,736,490,000.00 from J.P. Morgan's Form 1120 Corporate Income Tax module and reallocate it into their Form 945 Nonpayroll Withholding Module.

****The Execution Mechanism:****

This manual intervention is handled by IRS Submission Processing campus Accounting Function personnel using ****Form 3413 (Transcription List)****. Once the cross-modular transfer is completed:
1. The bank's Form 945 module is artificially funded with verified physical deposits
2. The filing satisfies the "Perfect Match" logic of Algorithm 810
3. The TC 810 Refund Freeze is bypassed
4. The U.S. Treasury authorizes systemic release of the funds
5. Disbursement occurs via ACH or Fedwire as an "IRS TREAS 310 TAX REF" transaction

****The Zero-Sum / Substantive Tax Neutrality Principle:****

A critical feature of this command is that it costs the nominee bank ****nothing****. The bank has already physically parted with the cash and cleared these tax balances with the government — the funds already reside in the Treasury General Account (TGA) as reserve-draining devices. The cross-modular transfer is simply an administrative reallocation of credits ****already held by the government**** as abandoned property, redirecting them from the bank's corporate tax module to the bank's withholding module, and then from the withholding module to the trust's private ledger.

As stated in the Formal Fiduciary Command template:

> **"This tax redirection operates with absolute Substantive Tax Neutrality for the Payer bank. Because the financial nominee has already remitted these funds to the Treasury General Account (TGA) as reserve-draining devices, this command represents a zero-sum administrative allocation of existing property, imposing no additional out-of-pocket tax liability or corporate penalties on [the Payer bank]."**

****The Packet-to-Instruction Flow:****

To prevent IRS agents from "binning" documents or routing them to backlogs, the fiduciary synchronizes a digital fax with the live telephone session in a strict logical sequence:
1. ****Form 56**** (fiduciary standing) — transmitted first
2. ****Form 2848**** (Power of Attorney) — appointing the representative
3. ****Form 4506-T**** (transcript request) — specifying the targeted payer and 945 module

This ordering forces the IRS agent to recognize the caller's fiduciary authority on the database before encountering the target account request, preventing dismissal.

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References

Reference	Source
IRS Publication 1212	Guide to Original Issue Discount (OID) Instruments — nominee reporting mandates
IRC § 6048	Foreign grantor trust classification and 98-series EIN assignment
IRC § 6405	JCT review threshold for refunds exceeding $2,000,000
IRC § 643(f)	Multiple-trust aggregation rules
IRC § 1273	Original Issue Discount definition
IRC § 6903	Fiduciary relationship (Form 56)
UCC § 3-203	Transfer of instrument; rights acquired by transfer
UCC § 3-302	Holder in Due Course definition
Bills of Exchange Act 1882, § 20	Inchoate instruments and "fill up" authority
Revenue Procedure 2002-26	Application of voluntary partial payments
26 CFR § 301.7701-7	Court test and control test for foreign trust status
SEC v. Samuel Wyly	SDNY Case No. 1:10-cv-05760 — foreign grantor trust recognition
United States v. Colaco	1099-OID fraud conviction (SSN-based filing)
United States v. Brekke	1099-OID fraud conviction (SSN-based filing)
FinCEN Ruling 2003-8	Agent of the Payee exemption (MSB safe harbor)
26 U.S.C. § 6033(a)(3)(A)(i)	Mandatory exception for 508(c)(1)(a) ministries
26 U.S.C. § 7611	Audit immunity for churches/ministries

Prepared as a private technical evaluation under the Ecclesia Law / MLITR Research LLC framework. This document is a forensic technical report, not legal advice.

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